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## BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

BOB STUMP-Chairman

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

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2014 SEP 24 A 11: 31

CORP COMMISSION  
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Arizona Corporation Commission

DOCKETED

SEP 24 2014

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IN THE MATTER OF THE APPLICATION OF )  
 COMMUNITY WATER COMPANY OF GREEN )  
 VALLEY FOR AUTHORITY TO BORROW UP )  
 TO \$3.4 MILLION FROM COMPASS BANK AND )  
 COMPASS MORTGAGE CORPORATION FOR )  
 THE PURPOSES OF (1) REFINANCING UP TO )  
 \$2.2 MILLION IN EXISTING LONG-TERM )  
 DEBT; AND (2) ISSUING AN ADDITIONAL \$1.2 )  
 MILLION IN LONG-TERM DEBT, UNDER )  
 A.R.S. §§ 40-301 AND 40-302. )

DOCKET NO. W-02304A-14-0041

**RESPONSE TO STAFF REPLY TO**  
**SEPTEMBER 13, 2014**  
**PROCEDURAL ORDER**

ORIGINAL

Community Water Company of Green Valley ("CWCGV") responds to Staff's Reply to the September 13, 2014 Procedural Order, which Staff filed on September 19, 2014.

CWCGV agrees with the majority of Staff's financial analysis contained in its Reply and supporting schedules. The only comment CWCGV has on the analysis is regarding the Loan Payment columns in Schedules TBH-3, -4, -7 and -8. There, the implication is that the total payment will be fixed, whereas CWCGV understands from the lender that the principal will remain fixed, resulting in a total payment that fluctuates slightly.<sup>1</sup> The interest rate will also remain fixed, throughout the term of the loan, however. Consequently, the total payment should gradually decline over time due to the fixed payment. Even so, this does not change the finding that – based on its debt service coverage ratio ("DSC") – CWCGV's cash flow from operations will be sufficient to cover debt service. Attached to this filing is CWCGV's analysis with fixed principal under all four scenarios (\$3.4-million and \$2.120-million at fixed interest rates of 6.5% and 8.0% respectively) showing a DSC well above 1.0 under all of those scenarios.

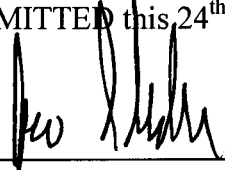
<sup>1</sup> The original lender term sheet attached as Exhibit 2 to the CWCGV's February 12, 2014 Application stated under Repayment: "Monthly payments of principal plus interest will be required with all principal and interest due at maturity." The lender has indicated to CWCGV that this statement denotes fixed-principal payments.

**ROSHKA DEWULF & PATTEN, PLC**  
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TELEPHONE NO 602-256-6100  
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1 CWCGV maintains its request as set forth in its February 12, 2014 Application, as modified  
2 in its August 26, 2014 Amendment.

3 RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of September, 2014.

4  
5 By

  
\_\_\_\_\_  
Jason D. Gellman  
ROSHKA DEWULF & PATTEN, PLC.  
One Arizona Center  
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Attorney for Community Water Company of Green Valley

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8  
9 Original and thirteen copies of the foregoing  
10 filed this 24<sup>th</sup> day of September, 2014, with:

11 Docket Control  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

15 Copy of the foregoing hand-delivered  
16 this 24<sup>th</sup> day of September 2014 to:

17 Lyn A. Farmer, Esq.  
18 Chief Administrative Law Judge  
19 Hearing Division  
20 Arizona Corporation Commission  
21 1200 West Washington Street  
22 Phoenix, Arizona 85007

23 Janice Alward, Esq.  
24 Chief Counsel, Legal Division  
25 Arizona Corporation Commission  
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Arturo R. Gabaldon  
President  
Community Water Company of Green Valley  
1501 South La Canada  
Green Valley, AZ 85614-1600

By

  
\_\_\_\_\_

RATIO CALCULATION  
FILING W-02304A-14-0041

	3.4M		2.12M	
	6.50% 2013	8% 2013	6.50% 2013	8% 2013
<b>TIE (Times Interest Earned)</b>	<b>1.68</b>	<b>1.37</b>	<b>2.70</b>	<b>2.19</b>
<b>DSC (Debt Svc Coverage)</b>	<b>3.21</b>	<b>2.84</b>	<b>5.14</b>	<b>4.55</b>
Principal Payments	170,000	170,000	106,000	106,000
Interest Expense	215,935	265,767	134,642	165,713
Operating Income	363,147	363,147	363,147	363,147
Amort/Depr	874,279	874,279	874,279	874,279

Balance	Principal	6.5%	Principal	8.0%
		Interest		Interest
3,400,000	14,167	18,417	14,167	22,667
3,385,833	14,167	18,340	14,167	22,572
3,371,667	14,167	18,263	14,167	22,478
3,357,500	14,167	18,186	14,167	22,383
3,343,333	14,167	18,110	14,167	22,289
3,329,167	14,167	18,033	14,167	22,194
3,315,000	14,167	17,956	14,167	22,100
3,300,833	14,167	17,880	14,167	22,006
3,286,667	14,167	17,803	14,167	21,911
3,272,500	14,167	17,726	14,167	21,817
3,258,333	14,167	17,649	14,167	21,722
3,244,167	14,167	17,573	14,167	21,628
	170,000	215,935	170,000	265,767

Balance	Principal	6.5%	Principal	8.0%
		Interest		Interest
2,120,000	8,833	11,483	8,833	14,133
2,111,167	8,833	11,435	8,833	14,074
2,102,333	8,833	11,388	8,833	14,016
2,093,500	8,833	11,340	8,833	13,957
2,084,667	8,833	11,292	8,833	13,898
2,075,833	8,833	11,244	8,833	13,839
2,067,000	8,833	11,196	8,833	13,780
2,058,167	8,833	11,148	8,833	13,721
2,049,333	8,833	11,101	8,833	13,662
2,040,500	8,833	11,053	8,833	13,603
2,031,667	8,833	11,005	8,833	13,544
2,022,833	8,833	10,957	8,833	13,486
	106,000	134,642	106,000	165,713